

# LYNCHBURG CITY COUNCIL

## Agenda Item Summary

MEETING DATE: **May 24, 2005, Work Session**

AGENDA ITEM NO.: 5

CONSENT:

REGULAR:

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

**ITEM TITLE: Proposed Changes to the Vehicle License Fee Process and Billing Periods for Personal Property, Business Personal Property, and Machinery and Tools Taxes**

### RECOMMENDATION:

Eliminate the vehicle decal while continuing to collect the license fee, assess and charge the fee to vehicles with active state registrations, bill semi-annually for the personal property, business personal property, and machinery and tools taxes, bill annually for the license fee and implement filing by exception.

### SUMMARY:

City Council recently approved funding for the purchase of a new personal property tax software program. As the details for program implementation get resolved, now is the best time to consider a conversion to a streamlined, more customer friendly process.

In an effort to address customer service issues as well as implement a major process improvement, staff has researched how to better manage the vehicle license fee (decal) process as well as the associated billing for personal property tax.

Staff recommends the following:

1. Eliminate the issuance of a decal
2. Assess and charge the license fee as it currently exists to vehicles with active state registrations
3. Bill semi-annually (payments due June 5 and December 5) for personal property, business personal property, and machinery and tools taxes
4. Bill annually for the license fee on the personal property tax bill (June 5)
5. Implement filing by exception

The advantages of this recommendation include eliminating a transaction for citizens of the City; realizing annual estimated cost savings of \$60,000 for advertising, labor, postage, printing, decal cost; eliminating the transfer, replacement and refund process; eliminating the need for citizens to scrape and replace an actual decal; eliminating the opportunity for lost or stolen decals; creating the benefit to businesses and citizens of paying their personal property tax in two installments rather than the full amount currently due November 15<sup>th</sup> of each year.

Disadvantages include the loss of late filing fees of approximately \$90,000 due to the recommendation that the City transition to filing by exception. Also, in the year of implementation, accelerating the collection of half the personal property, business personal property and machinery and tools from November to June will have an impact on the citizens and the business community due to an unplanned June payment. An additional disadvantage would be that law enforcement officers would not be able to easily determine if the vehicle license fee has been paid since a decal would not be displayed. Enforcement will occur through the Department of Motor Vehicles (DMV) Stop Program. Under this program, after being notified by the City's Billings and Collections Division, DMV prevents citizens from obtaining a valid registration unless personal property taxes have been paid. Under this proposed program, vehicle license fee payment would be monitored by the DMV Stop Program as well.

For implementation purposes, it is recommended that these changes become effective January 1, 2006.

The City would experience a one-time infusion of funds due to the first half-year personal property, business personal property and machinery and tools tax being due June 5, 2006. It is estimated that this would generate approximately \$6.0 million in unanticipated one-time revenue in FY 2006. However, it is recommended that the vehicle license fee period be changed to a calendar year (January 1- December 31) to correspond with the personal property tax year. Due to pro-ration of the fee, this change in the vehicle license fee period would result in a one-time, first year revenue loss of approximately \$450,000.

It is proposed that this process change be effective January 1, 2006.

Staff researched other localities in the state to determine if other First Cities have eliminated the vehicle decal. The cities of Norfolk and Virginia Beach have eliminated the decal and locally Campbell County and Amherst County are considering the same. Norfolk has eliminated the requirement for a decal but they still charge the license fee as a separate line on the personal property tax bill. Virginia Beach partnered with the State Department of Motor Vehicles (DMV) to combine payment of the local and state registration fee at the DMV.

PRIOR ACTION(S): None.

<u>BUDGET IMPACT:</u>	FY 2006 -	\$6,000,000:	One-time revenue from transition to twice yearly billing
		(450,000):	One-time loss of vehicle license fee revenue due to pro-ration
		(90,000):	Loss of late filing fees due to filing by exception
		<u>60,000:</u>	Expenditure savings
		\$5,520,000	

In future years, it is projected that the fiscal impact would be the loss of late filing fees offset by expenditure savings for a net loss of revenue of \$30,000.

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ATTACHMENT(S): None

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